

Reinvention of Government Bill Senate Study Bill 1205

Proposed Action:

**Senate Appropriations
Committee**

April 24, 2003

DRAFT

An Act relating to state and local government financial and regulatory matters, making and reducing appropriations, providing a fee, and providing applicability and effective dates.

Executive Summary Only



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LEGISLATIVE FISCAL BUREAU NOTES ON BILLS AND AMENDMENTS (NOBA)

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EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

SENATE STUDY BILL 1205 REINVENTION OF GOVERNMENT BILL

SENATE STUDY BILL 1205

DIVISION I – PROPERTY TAX REPLACEMENT

- Provides an estimated net savings of \$129.4 million from the General Fund for various components of changes to appropriations, State government expenditures, and local government actions. Also appropriates \$14.0 million from the Hospital Trust Fund for Medical Assistance in FY 2004.
- Repeals the portions of Chapters 405A and 427A, Code of Iowa, that provide for State payments to local governments for personal property tax and franchise tax replacement.
- Moves the termination of the State payment of industrial machinery, equipment, and computer tax replacement claims from June 30, 2006, to June 30, 2004, and appropriates \$10.1 million for FY 2004. Prohibits revaluation of industrial machinery, equipment, and computers to recover a shortfall in funding for FY 2004 replacement claims. Reporting requirements for industrial machinery, equipment, and computer tax replacement in tax increment finance areas are also terminated on June 30, 2004.
- Requires the Governor to order across-the-board reductions to offset the costs of increased appropriations created by line-item vetoes in Division I.

Fiscal Impact: The repealed portion of Chapter 405A, Code of Iowa, includes an FY 2004 standing appropriation of \$51.1 million, which was frozen in 1992, and \$8.0 million for the Franchise Tax Reimbursement. The appropriation for payment of industrial machinery, equipment, and computer tax replacement claims produces an anticipated savings of \$10.9 million. Total savings of \$70.0 million.

DIVISION II – PARKING TICKETS

- Permits a city ordinance to determine the amount of a parking violation fine. Permits the fine to be increased by \$5.00 when not paid within thirty days.

Fiscal Impact: The Bill would permit cities to increase parking violation fine revenue. It is unknown as to the number of cities that would enact ordinances to increase the fine.

DIVISION III - LAW ENFORCEMENT ACADEMY TRAINING

- Permits certain noncertified law enforcement officers to receive training at the Law Enforcement Academy if criteria are met and if the officer pays for the training.

Fiscal Impact: The Law Enforcement Academy may have additional training officer expenditures, which would be paid by the noncertified law enforcement officers receiving the training.

DIVISION IV – PUBLICATION BUDGET

- Changes the population requirement for which counties are required to select newspapers for publication of official notices and provides for coordinating amendments for compensation for such newspapers.

Fiscal Impact: The savings to counties has not been determined, but is anticipated to be minimal.

- Changes the budget appeal protest requirements for county budgets. A minimum of 100 people are necessary to file a protest.
- Increases from 200 to 700 for the population of cities, which can meet publication requirements by posting in three public places designated by ordinance.

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DIVISION IV – PUBLICATION BUDGET (CONTINUED) DIVISION V – CIVIL SERVICE REFORM

Fiscal Impact: The local government savings from this change has not been determined, but is anticipated to be minimal.

- Eliminates various city employee probationary period timeframes and permits a city to establish the period of time.
- Eliminates a salary requirement for a person filling a temporary vacancy in a city civil service position for more than 20 days.

Fiscal Impact: The local government savings from this change has not been determined.

DIVISION VII – TRANSACTION FEE

- Requires a \$5.00 electronic transaction fee for transactions undertaken by a county recorder for each page of an instrument filed or recorded in addition to the \$5.00 per page fee already required. Of the \$5.00, \$3.50 remains with the county recorder and \$1.50 is transferred to the Treasurer of State for deposit into the Local Government Electronic Transaction Account for electronic access to local government records and information. The Section is repealed July 1, 2005.

Fiscal Impact: An estimated 890,000 transactions take place each year by county recorders, generating an additional estimated \$3.1 million annually for local government revenues and \$1.4 million for the Local Government Electronic Transaction Account.

DIVISION VIII – LOCAL GOVERNMENT LEASES

- Permits a lease agreement between a city or county and a joint city-county authority under certain circumstances and exceptions from certain election requirements for the lease authorization.

Fiscal Impact: The local government savings from this change has not been determined.

DIVISION IX – LOCAL GOVERNMENT INNOVATION FUND

- Creates a Local Government Innovation Fund under the control of the Department of Management.
- Appropriates \$10.0 million from the General Fund for a Local Government Innovation Fund for loans to cities or counties for expenditures, which would result in cost savings, or additional revenue for a city, a county, or the State.
- Specifies criteria for the application and repayment provisions over a five-year period.
- Creates a Local Government Innovation Fund Committee to review and approve the loan applications and determine the loan interest rate.

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DIVISION X – CHARGE FOR CAPITAL ASSETS

- Requires the Department of Management to charge all State agencies a fee for indirect costs associated with State ownership capital assets by State agencies in FY 2004. The Bill exempts the assets under the purview of the Department of Administrative Services and the Board of Regents.
- Requires the capital asset fees paid by State agencies to be deposited into the fund from which the moneys were originally appropriated. Prohibits the charges from all agencies from exceeding \$1.7 million.

Fiscal Impact: The State General Fund is expected to receive the \$1.7 million provided under the capital asset requirement.

APPROPRIATION REDUCTION FOR THE BOARD OF REGENTS

- Reduces the General Fund appropriations to the Regents universities by a total of \$17.9 million. The Bill requires the reduction to be applied as follows:
 - \$8.4 million (46.7% of the reduction) from the University of Iowa.
 - \$6.6 million (36.8% of the reduction) from Iowa State University.
 - \$2.6 million (16.5% of the reduction) from the University of Northern Iowa.
- Requires the Board of Regents to conduct a study concerning policy options associated with charging all State agencies a capital asset fee. Requires the study to include recommendations and to be completed by December 31, 2003. Membership of the study committee is designated.

DIVISION XI – CHARTER AGENCIES

- Provides for up to five charter agencies, which would be five State departments or agencies that would be operated under a performance agreement in exchange for a 10.0% reduction in the FY 2004 appropriation made by the General Assembly. Grants charter agencies various exemptions from various administrative rules and other statutory requirements for a five-year period. Permits charter agencies to retain proceeds from the sale or lease of capital assets under the agency's control.
- Prohibits the Department of Management and the Department of Administrative Services (if created) from being a charter agency.
- Requires the Administrative Rules Review Committee to review the proposed exemptions from various requirements proposed by a charter agency that would impact other entities.
- Requires the charter agencies to issue an annual report by December 31 to the General Assembly regarding the agency's activities. Requires a report by the Governor to the General Assembly by January 2008.
- Repeals new Chapter 7J, Code of Iowa, creating charter agencies, on June 30, 2008.
- Creates a Charter Agency Loan Fund under the Department of Management for FY 2004 and appropriates \$3.0 million to the Fund from the General Fund.

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DIVISION XI – CHARTER AGENCIES (CONTINUED)

Fiscal Impact: Public Strategies Group, the consultant retained by the Executive Branch, estimates that a 10.0% reduction in five average-sized agencies would save up to \$15.0 million on an annual basis. As an example, 10.0% of the total FY 2004 estimated appropriations for the Departments of Public Health, Inspections and Appeals, Agriculture and Land Stewardship, Education, and Secretary of State equals approximately \$30.0 million (10.0% of \$300.0 million).

DIVISION XII - STATE EMPLOYEE HEALTH INSURANCE COST INCENTIVES

- Permits the Department of Personnel or Department of Administrative Services to establish a health insurance incentive program for State employees to reduce health insurance costs.

Fiscal Impact: One-half of the savings from the health insurance incentive program would be returned to the State employees within the specific insurance program. Estimated savings from such an incentive program have not been determined.

DIVISION XIII – AREA EDUCATION AGENCIES

- Creates a task force to study service delivery by the Area Education Agencies (AEA). The report is due to the General Assembly by December 15, 2003.

- Reduces AEA special education support services fund balances by specified amounts but permits the agencies to use unreserved fund balances for media services or education service to best maintain the level of required special education services. The amount of reductions total \$10.0 million. This includes:

- AEA 1: \$517,000
- AEA 4: \$222,000
- AEA 3 and 5: \$996,000 (consolidation taking place)
- AEA 2, 6, and 7: \$914,000 (consolidation taking place)
- AEA 9: \$468,000
- AEA 10: \$964,000
- AEA 11: \$3.6 million
- AEA 12: \$513,000
- AEA 13: \$666,000
- AEA 14: \$405,000
- AEA 15: \$413,000
- AEA 16: \$302,000

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DIVISION XIII – AREA EDUCATION AGENCIES (CONTINUED)

- Makes a FY 2004 \$7.5 million appropriation reduction to AEAs permanent for future years.
- Makes an additional \$10.0 million reduction through the combined district cost calculated by the School Aid Formula.

Fiscal Impact: The Bill makes reductions for the Area Education Agencies totaling \$20.0 million.

DIVISION XIV – CHILD WELFARE SYSTEM REDESIGN

- Requires the Department of Human Services (DHS) to implement a system redesign for child welfare services and specifies redesign requirements.
- Requires a Redesign Planning Team be utilized to provide input regarding redesign planning, design, implementation, and evaluation, and establishes a six-member legislative committee to monitor planning and implementation.

Fiscal Impact: The Bill reduces the General Fund appropriations to the DHS in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$10.0 million. The reduction may be applied to any of the line-item appropriations and are required to be reported to the General Assembly on the date applied.

- Appropriates \$1.2 million from the General Fund to the DHS for training and development of a statewide information system for implementation of changes associated with the redesign.
- Establishes a Provider Loan Fund and deposits \$1.0 million into the Fund from the General Fund to be used to assist child welfare providers with short-term cash flow needs.

DIVISION XV – DHS REINVENTION

- Requires the DHS to develop a plan to implement an electronic billing and payment system for child care and Medical Assistance Program providers to the Governor and the General Assembly by January 1, 2005.

Fiscal Impact: The Bill reduces the General Fund appropriations to the DHS in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$300,000 to reflect savings from future electronic payment of benefits and billing.

- Notwithstanding Sections 150 and 151, Chapter 1003, 2002 Iowa Acts, Second Extraordinary Session, that requires excess funds in the Hospital Trust Fund transfer to the Senior Living Trust Fund at the end of FY 2003.

Fiscal Impact: The Bill reduces the General Fund appropriation to the DHS for the Medical Assistance (Medicaid) Program in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$7.5 million and increases the Hospital Trust Fund appropriation by \$14.0 million.

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DIVISION XV – DHS REINVENTION (CONTINUED)

- Provides funding from the State Foundation Formula for the educational programs for children residing at the Independence Mental Health Institute, Eldora State Training School, and Toledo Juvenile Home. The Department of Revenue and Finance will make monthly payments to the DHS for distribution to the institutions. Reductions are made to the institutions' FY 2004 budgets to reflect the change in funding source.

Fiscal Impact:

- The Bill reduces the General Fund appropriation in HF 667 (FY 2004 Health and Human Services Appropriations Bill) for the Iowa Juvenile Home at Toledo by \$411,000, for the State Training School by \$1.2 million, and for the State Mental Health Institute at Independence by \$544,000, for a total reduction of \$2.2 million.
- The Bill will cause an estimated \$3.4 million from the State Foundation Formula to be used to pay for educational programming at these DHS institutions. The reduction for school districts will be offset by increasing the additional property tax levy, and the total State funding for school districts is not to be affected.

EFFECTIVE DATES

- Specifies that the Property Tax Replacement Division of the Bill takes effect upon enactment.
- Specifies that the Charter Agency Division of the Bill takes effect upon enactment.
- Specifies that the Section within the Department of Human Services Reinvention Division relating to the Hospital Trust Fund appropriation to the Medical Assistance (Medicaid) Program takes effect upon enactment.

Summary Data

General Fund

SSB 1205	Senate Approp	
	Proposed FY 2004	
	(1)	
Administration and Regulation	\$	-91,600,000
Education	\$	-19,999,999
Health and Human Services	\$	-17,793,959
Grand Total	\$	-129,393,958
Operations	\$	-45,893,958
Grants & Aid	\$	-83,500,000
Grand Total	\$	-129,393,958

Administration and Regulation

General Fund

SSB 1205	Senate Approp	Page/
	Proposed FY 2004	Line
	(1)	(2)
<u>Management, Department of</u>		
Reinvention Bill Charter Agencies Savings	\$ -15,000,000	PG 22 LN 14
Reinvention Bill Charges for Capitals	-19,600,000	PG 14 LN 34 & PG 15 LN 15
Reinvention Bill Cities/Counties Loan Fund	10,000,000	PG 14 LN 16
Reinvention Bill Charter Agencies Loan Fund	3,000,000	PG 22 LN 30
Total Management, Department of	\$ -21,600,000	
<u>Revenue and Finance, Dept. of</u>		
Reinvention Bill Local Tax Savings	\$ -70,000,000	PG 4 LN 7
Total Administration and Regulation	\$ -91,600,000	
Operations	\$ -24,600,000	
Grants & Aid	\$ -67,000,000	
Grand Total	\$ -91,600,000	

Education

General Fund

	Senate Approp Proposed FY 2004	Page/ Line
SSB 1205	(1)	(2)
<u>Education, Department of</u>		
Reinvention Bill Area Education Agencies Savings	\$ -19,999,999	PG 25 LN 4
Operations	\$ -19,999,999	
Grand Total	\$ -19,999,999	

Health and Human Services

General Fund

	Senate Approp Proposed FY 2004	Page/ Line
SSB 1205	(1)	(2)
<u>Human Services, Department of</u>		
Medical Services		
Reinvention Bill Medicaid Savings	\$ -7,500,000	PG 33 LN 17
Child and Family Services		
Reinvention Bill Child Welfare Savings	-10,000,000	PG 31 LN 8
Reinvention Bill Child Welfare Training and Technology	1,200,000	PG 31 LN 35
Reinvention Bill K-12 Funding Institution Savings	-2,193,959	PG 34 LN 7 - PG 34 LN 23
Child Welfare Provider Loan Fund	1,000,000	PG 32 LN 7
Total Child and Family Services	-9,993,959	
DHS Administration		
Reinvention Bill DHS Electronic Benefit Transfer Savings	-300,000	PG 32 LN 21
Total Human Services, Department of	\$ -17,793,959	
Total Health and Human Services	\$ -17,793,959	
Operations	\$ -1,293,959	
Grants & Aid	\$ -16,500,000	
Grand Total	\$ -17,793,959	

Summary Data

Non General Fund

	Senate Approp
	Proposed FY 2004
SSB 1205	(1)
Health and Human Services	\$ 14,000,000
Grand Total	\$ 14,000,000
Grants & Aid	\$ 14,000,000
Grand Total	\$ 14,000,000

Health and Human Services

Non General Fund

	Senate Approp Proposed FY 2004	Page/ Line
SSB 1205	(1)	(2)
<u>Human Services, Department of</u>		
Reinvention Bill Hospital Trust Fund Medicaid Increase	\$ 14,000,000	PG 33 LN 30
Grants & Aid	\$ 14,000,000	
Grand Total	\$ 14,000,000	